Annual Report and Financial Statements
for the year ended 31 March 2016

CONTENTS

GUERNSEY POST

Directors:	Andrew Duquemin (appointed Chairman 1 September 2015) (Chairman) Dudley Jehan (retired 1 September 2015) (Chairman until 1 September 2015) Boley Smillie (Chief Executive) Steve Sheridan (Finance) Steve Hannon (Non-Executive) Stuart Le Maitre (Non-Executive) Simon Milsted (Non-Executive)
Auditors:	KPMG Channel Islands Limited Chartered Accountants Glategny Court Glategny Esplanade St Peter Port GUERNSEY GY1 1WR
Actuaries:	BWCI Consulting Limited Actuaries and Consultants PO Box 68 Albert House South Esplanade St Peter Port GUERNSEY GY1 3BY
Registered office:	Envoy House La Vrangue St Peter Port GUERNSEY GY1 1AA
Greffe Registration Number:	38693

CHAIRMAN'S STATEMENT

In my first year as Chairman, I am delighted to present our annual results, which, despite the difficult trading environment, has resulted in an after tax profit for the year of £388k.

At the outset, I would like to acknowledge the efforts of the entire team at Guernsey Post, all of which deserve to be congratulated for their contribution to the business performance.

PENSION REFORM

In our 2015 Annual report, the Guernsey Post Board signalled that the legacy Defined Benefit Pension Scheme, if left unaddressed, would essentially cripple the business. Indeed, this year the FRS102 pension liability increased by a further 13% to £28m as at 31st March 2016.

The Company has previously stated the critical need to move away from the States of Guernsey Public Sector Defined Benefit Pension Scheme and adopt a scheme that remains fair and equitable to its employees, but also affordable and sustainable for the Company.

I am delighted to confirm that over the past year, the Company has been in ongoing dialogue with its staff and Trade Unions on this matter and has recently concluded negotiations to remove itself from the wider States of Guernsey Public Sector Defined Benefit Pension Scheme effective 1st August 2016.

As a consequence of this reform, all Guernsey Post staff transfer into a newly established Defined Contribution Pension Plan, which, by its very nature, will provide the Company with far more financial certainty as we continue to tackle the challenges ahead.

The support of our staff, the Trade Unions and our Shareholder deserves special mention in recognising the need for change and in contributing so positively towards the overall future sustainability of the Company.

CAPITAL STRUCTURE AND DIVIDEND

In light of the reform of the Company's pension scheme, the Board plans to undertake a further review of the organisation's capital structure in 2016. Previous reviews in 2013 and 2014 have resulted in the return of £8.5m of capital to the States of Guernsey, by means of a repurchase and cancellation of shares. The review will also carefully consider future funding requirements, the Company's strategy and business risk.

In the context of the overall financial position of the business, and, mindful of the imminent capital structure review, the Board is pleased to propose an ordinary dividend in 2015/16 of £200k.

SHAREHOLDER

My Board has continued to focus on the achievement of key objectives and performance indicators agreed with our Shareholder, as part of our Memorandum of Understanding (MOU). The MOU outlines very clearly the expectations on the organisation and is consistent with our strategy to provide innovative and efficient services in the best interests of our community.

The portfolio of measures, which we continually strive to improve, covers all aspects of our business, including quality of service performance, customer satisfaction, price and efficiency. I am also pleased to report that Postwatch Guernsey, our independent consumer council, will now also be closely monitoring our performance against the agreed targets, reflecting the open and transparent nature of our relationship.

“The Board will continue to focus on the delivery of the Company strategy and, specifically, seeking long-term sustainability of operations in order to protect the Universal Service Obligation (USO).”

THE BOARD

Our former Chairman, Dudley Jehan, retired from the Board in 2015, as the longest serving Non-Executive Director since the incorporation of the Company in 2001. The Board was extremely grateful for Dudley's wise leadership over a challenging period in the Company's history. Most notably, the scale of the required restructuring following the loss of Low Value Consignment Relief the and securing of the Investors in People Gold standard rank amongst Dudley's most significant achievements.

Having undertaken a robust skills gap analysis and subsequent recruitment process, the Board anticipates appointing a new Non-Executive Director to the Board in 2016.

THE FUTURE

Over the next twelve months, the Board will continue to focus on the delivery of the Company strategy and, specifically, seeking long-term sustainability of operations in order to protect the Universal Service Obligation (USO). Pension reform has been the single most important step in this process.

Pension reform is, however, just one part of a wider transformation agenda being undertaken by the Company. Changes to the delivery operation, with the consolidation of the letter and parcel delivery network, is expected to be completed before the end of 2016/17. This change will further improve efficiency but, more importantly, improve our capacity to deal with the continued boom of e-commerce and the resulting increase in parcel volumes.

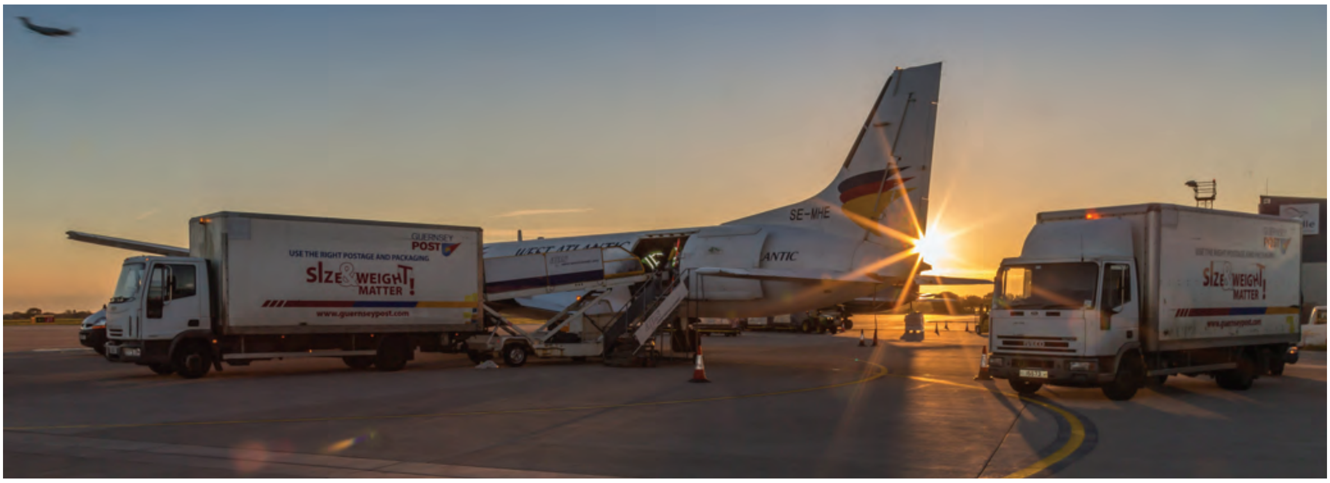
Further investment in automation will follow over the coming year and will similarly drive further internal efficiencies for the Company, whilst complimenting the continued development of service enhancements such as Ebox. Over the last year, we have been delighted in the levels of growth in customers signing up to this service, which supports the collection of packets and parcels from a more convenient location.

The ever changing market place and needs and expectations of our customer base, requires the Company to continually adapt to meet these expectations. The erosion of core volumes and branch services are placing much greater emphasis on digital products and services. The Company will shortly be launching a new website designed to provide a number of online products and services, as well as accommodating further digital investment initiatives over the coming year. Our existing online Ebilling portal for business customers continues to receive positive feedback, which is reflected in the large increase in membership levels that we have seen over the past year.

The outlook for the forthcoming year is one of cautious optimism. Whilst the successful pension reform will provide financial certainty, the Company will continue to streamline processes, identify new business opportunities and maximise use of its asset base.

Guernsey Post plays an integral role in the local economy, and, with the volatile and changing nature of our industry, it is essential it has a clear and sustainable vision for the future. The Strategic Plan for 2016 and beyond will set out this vision and ensure, with the dedicated help and support of our valued staff, that we secure the long-term sustainability for the Company over the coming years.

A M Duquemin, ***Chairman***
August 2016



Early morning collection at Guerney airport.

Business Review for the Year

OUR RESULTS

Notwithstanding a challenging postal services market that continues to see traditional activities declining year on year, largely due to substitution from digital media on letter volumes, Guernsey Post has delivered a strong and positive performance for the year ended 31st March 2016, with a reported year on year increase of 53% in its operating profit.

PROFIT AND LOSS

Operating profit for the year was £0.5m, representing an increase of £0.2m on prior year. When excluding associated FRS102 pension service costs of £2.9m, actual like for like operating performance has seen an increase of over £1m during the year.

Turnover for the year was £30.9m, a decrease of £2.7m (8%) on prior year. This reduction was impacted by the loss of two significant bulk mailers who relocated their fulfilment operations to the UK. When discounting this, underlying turnover did see an increase year on year and was as a consequence of continued growth experienced in both bulk mail customers and internet based shopping volumes.

Expenditure for the year was £30.4m, a decrease of £2.8m on prior year.

Direct costs associated with servicing our revenue streams have seen a decrease of 22% to £14.0m. Whilst revenue reductions have contributed in the most part, ongoing revenue protection initiatives, and re-negotiated contractual terms have also been a factor in managing costs down further.

Staff expenditure for the year was £10.6m, in line with prior year despite a marginal increase in the number of full-time equivalent employees to 226.

An increase in FRS 102 pension service costs of £0.9m contributed in the most part to an increase in reported operating expenditure, which was £4.1m for the year ended 31st March 2016. Pension and project related costs aside, underlying operating costs increased by just £0.1m, again demonstrating the ongoing focus and control being exercised on discretionary spend across the business.

> *"Guernsey Post has delivered a strong and positive performance for the year ended 31st March 2016"*

BALANCE SHEET

Shareholders' funds stabilised at £4.2m between the current and previous financial years. This stability was maintained, despite a further £3.3m widening of the net pension scheme deficit under FRS102. The gross pension scheme deficit, as reported under FRS102, stands at £28.5m as at 31st March 2016.

Aside from pension liability, the Company continues to operate with a strong Balance Sheet and a healthy liquidity position. At the year end, the Company reported a cash balance of £15.6m and £3.1m of current assets, supported by a £12.4m fixed asset base. Current liabilities were just £4.3m.

CASHFLOW STATEMENT

The Company generated £4.1m of cash during the year, thereby increasing its cash reserves to £15.6m.

Operating cashflow contributed £4.5m in the year, before major non-cash items such as depreciation, amortisation and any FRS102 pension adjustments.

Capital spend in the year was £0.7m. The primary investment being £0.4m in the replacement and increase of its vehicle fleet as part of its ongoing fleet replacement programme and the Company's wider combined letters and parcels delivery strategy.

A further capital investment of £0.1m was made in the installation of LED lighting throughout Envoy House as part of its energy / cost reduction project.

Interest income receipts were £0.1m lower than prior year at £0.2m as a result of decreased yields on funds placed within the States of Guernsey Cash and Investment Pool. No dividend was paid during the year.

OPERATIONAL SUMMARY

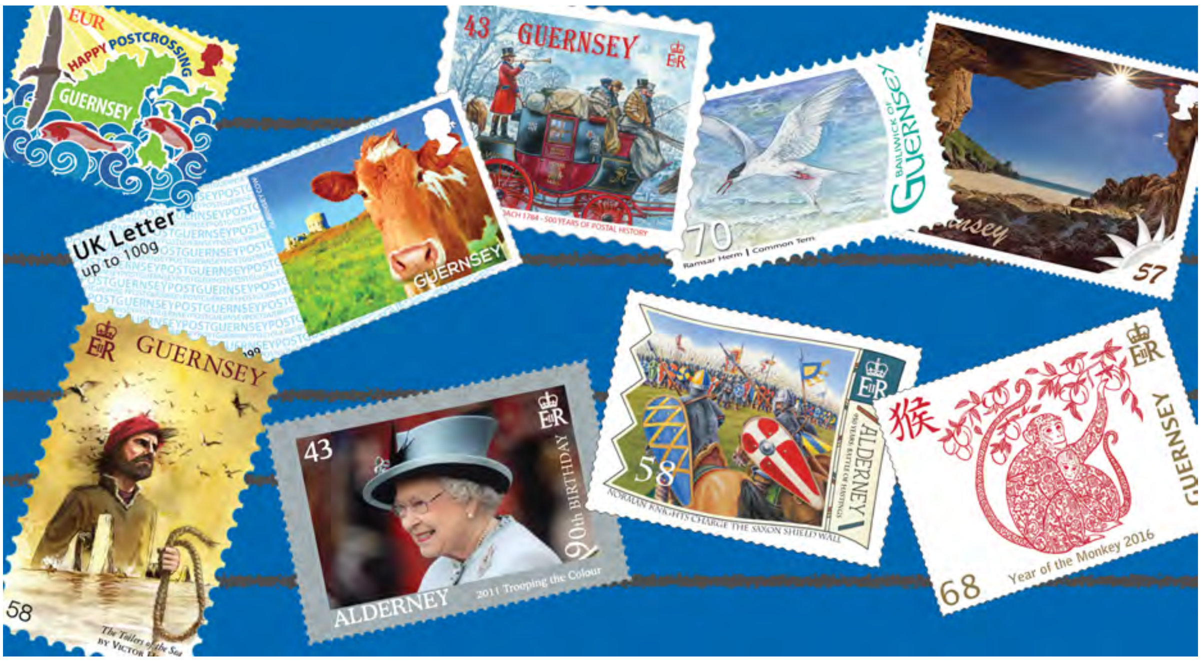
Total number of mail items handled during the year was around 42m, which represents a 5% decrease on the prior year.

Total mail delivered was down 3% on prior year and impacted by the ongoing decline seen in inward letters and local mail volumes, which were both down 6% and 8%, respectively. This was offset by another year of growth in our inward packets and parcel volumes, which experienced a 6% improvement on prior year.

Total Outward mail was down 6% on prior year, for which outward Bulk volumes saw a 4% year on year decline, primarily due to the loss of two major bulk mailing companies, who relocated their fulfilment operations to the UK during the period.

Quality of Service performance results for the year have again exceeded the set targets for each of the measures as illustrated below and continue to be a demonstration of our commitment in ensuring a timely delivery of mail across our network.

	2013/2014	2014/2015	2015/2016	Target
LOCALLY POSTED MAIL				
Delivered Locally	97%	98%	99%	95%
Delivered in Jersey	82%	85%	85%	82%
Delivered in UK	86%	86%	85%	82%
MAIL POSTED OUTSIDE OF GUERNSEY, AND DELIVERED IN GUERNSEY				
Posted in Jersey	81%	88%	83%	82%
Posted in UK	71%	81%	87%	82%



Andrew Duquemin
CHAIRMAN

Andrew Duquemin has a degree in Accounting and Finance and qualified as a Chartered Accountant in 1983. He has extensive experience in the listing of companies on both the London Stock Exchange and The Channel Islands Stock Exchange. He is also a director of Corporate Consultants Limited, a Guernsey based consultancy business that has provided corporate finance and management consultancy services since 1991.

He is Chairman of Elysium Fund Management Limited, a Company providing fund management, administration and corporate finance services to a range of funds and trading companies. Elysium was formed in October 2006 to complete the management buyout of the business of Collins Stewart Fund Management Limited, a Guernsey registered Company and wholly owned subsidiary of Collins Stewart Tullett plc, where Andrew was managing director.

Andrew sits on the boards of several local trading companies, a London-based investment bank and a recently formed P2P business. He is also a Fellow of the Chartered Institute for Securities & Investment, a Chartered Wealth Manager and holds the advanced diploma in Corporate Finance.

Boley Smillie
CHIEF EXECUTIVE

Born and raised in Guernsey, Boley Smillie joined Guernsey Post in 1991 straight from his secondary education at La Mare de Carteret School. The subsequent twenty four years have seen him gain a wide range of experience in different roles, rising through the ranks of the Company. Initially employed as a clerical assistant he moved to Customer Services, then on to Logistics before being promoted to Head of Letters and Parcels in 2004. He became Operations Director in 2007 and an Executive Director in April 2010. In July 2010, he was appointed interim Chief Executive before taking the role on a permanent basis in September 2010.

During this time he has added to his hands on experience by undertaking a number of professional qualifications, including certificates in marketing, business and finance. Most recently he was awarded the certificate in Company Direction from the Institute of Directors.

Steve Sheridan
FINANCE DIRECTOR

Steve Sheridan was born and educated in Nottingham, before work opportunities brought him to Guernsey in 1993.

He has over 20 years' experience in accountancy and financial control, holding a number of senior roles for a variety of firms within Insurance, Fiduciary, Retail and the Banking industries. He qualified in 2004 before joining All in Black as their Financial Controller and General Manager. During his time in this role, he was successful in creating an effective management reporting solution for the business, out of which a number of key rationalisation initiatives were undertaken.

His next role took him to Credit Suisse, where he held a variety of positions, one of which was part of a project team tasked to ensure the successful deployment of their Financial Accounting function to its offices in India. More latterly Steve was employed within the Private Banking and Asset Management Division, where he held the position of Head of Financial Management for the Channel Islands.

Steve brings with him a wealth of accountancy and financial control knowledge as well as a strong commercial acumen.

Steve was appointed Finance Director with Guernsey Post in early 2014.

Steve Hannon
NON-EXECUTIVE

Steve Hannon has over 40 years' experience in the postal industry. For the majority of that time he worked for Royal Mail, where he managed several multi million pound, high profile national projects including the introduction of postal automation, a new rail, road and air network, rationalising and revamping London's mail centre infrastructure and planning the nationwide introduction of the single letter delivery.

He also spent a two-year period as a Divisional General Manager responsible for a workforce of 13,000 people and an annual budget of £400m. During this time, he covered the complete range of management functions embracing sales, customer services, finance, human resources, planning and operations.

Since leaving Royal Mail in 2003, he has undertaken consultancy work in the postal field and became a director of Postal and Logistics Consulting Worldwide. He was appointed Chief Executive of the Company in 2008.

Between July 2006 and February 2007 he undertook the role of Interim Chief Executive of Guernsey Post.

Stuart Le Maitre
NON-EXECUTIVE

Stuart Le Maitre was born and educated in Guernsey. Following a brief period of employment at the Guernsey Post Office, he studied in Bristol and obtained a degree in Education and a post graduate qualification in careers guidance. He held a senior position in the Careers Service at Buckinghamshire County Council for five years before returning to join the Civil Service in Guernsey, where he held senior positions for the next 20 years.

During this time, his responsibilities included the development and oversight of departments responsible for industrial relations and employment legislation, trading standards and consumer affairs, health and safety in the work place and initiatives to support the development of the non-finance sector of the Island's economy. Having worked on the development of the regulatory framework for the Bailiwick of Guernsey and the establishment of the Office of Utility Regulation, he was also involved in the commercialisation of the States' Trading Utilities.

On leaving the Civil Service, Stuart undertook a variety of consultancy assignments and in 2006 was appointed as Chief Operating Officer with responsibility for the set up phase of a new local mobile telephone Company. More recently, he held the position of Chief Executive of the Medical Specialist Group in Guernsey until he resigned from this post in June 2013. He has recently taken up the position of Douzaine Representative for the Vale Parish and holds other local board positions.

Simon Milsted
NON-EXECUTIVE

On qualification as a Chartered Accountant in 1982, Simon Milsted joined the London City office of Price Waterhouse, during which time he was engaged on a series of special assignments for the Bank of England. Two consecutive assignments took him to the West Country, following which he moved his young family westwards transferring permanently to Price Waterhouse's Bristol office.

In 1988, Simon co-founded an independent firm of Chartered Accountants that soon became one of the fastest growing and most well respected independent firm of advisers in the South West, bringing a high level of specialist and consulting advice to the owner-managed business community across the region.

In 1995, Simon invested in and became non-executive chairman of the BSI Group, a business process outsource specialist in the business travel sector, which became the European leader in its field. Simon has held office as Regional President of the Institute of Chartered Accountants in England and Wales, sat on a number of Government sponsored business support bodies and was a governor and non-executive treasurer of a leading South West public school.

Since his move to Guernsey in 2010, Simon has pursued an active engagement with businesses and not for profit organisations on the Island both in an advisory capacity and as principal.

Corporate Governance Report

COMPLIANCE

The Combined Code on Corporate Governance 2006 (the Code) outlines the main principles and provisions that companies should adopt in relation to corporate governance. This report describes Guernsey Post's compliance with the Code. Guernsey Post is committed to the development of a sustainable and profitable business that benefits all stakeholders, which includes achieving the highest standards of corporate governance for our Shareholder, the States of Guernsey.

Guernsey Post has signed a Memorandum of Understanding with the Treasury & Resources Department that sets out the rights, expectations and duties of both parties and includes the requirement to comply with best practice on corporate governance. Guernsey Post has continued to work on its corporate governance programme during the financial year ending 31 March 2016, and the achievements are summarised in this report.

THE BOARD

DIRECTORS

The Board's role is to provide entrepreneurial leadership of the Company within a prudent and effective framework of risk management and internal control. The Board is responsible for setting and implementing strategy, allocating the necessary human and financial resources to meet the Company's objectives and monitoring the performance of management against those objectives. The Board is collectively accountable for the success of the Company, sets its values and standards and takes decisions objectively in the interests of the Company, its Shareholder and other stakeholders.

Non-executive directors help to develop and challenge the Company's strategy. They evaluate the performance of management and monitor the reporting of performance. They consider the integrity of financial information and the strength of financial controls and risk management systems. They oversee executive remuneration and play the main role in the appointment, removal and succession planning for executive directors.

Matters referred to the Board are governed by a scheme of delegated authorities that provides the framework for the decisions to be taken by the Board, those which must be referred back to our Shareholder and those which can be delegated to Committees of the Board or senior management.

There were eleven board meetings held during 2015/16. If a Board member cannot attend a meeting, he or she receives a copy of the agenda and the accompanying papers in advance of the meeting and is invited to comment on the matters to be discussed.

The names of the members of the Board Committees are set out on pages 11-12, together with details of their background. The Board Committees have authority to make decisions according to their terms of reference.

CHAIRMAN AND CHIEF EXECUTIVE

Guernsey Post has a non-executive Chairman and a Chief Executive. There is a clear division of responsibility between the two positions, with the Chairman responsible for the running of the Board and the Chief Executive responsible for the running of the Company's business.

Andrew Duquemin spends, on average, one day per week in his role as Chairman. He is also Chairman of Elysium Fund Management Limited, amongst other external directorships. The Board considers that his external directorships do not make conflicting demands on his time as Chairman.

Simon Milsted is the senior independent director and is available to talk to our Shareholder, if it has any issues or concerns.

BOARD BALANCE AND INDEPENDENCE

Throughout the year the Company has had a balance of independent non-executive directors on the Board, who ensure that no one person has disproportionate influence. All the non-executive directors bring with them significant commercial experience from different industries, which ensures that there is an appropriate balance of skills on the Board.

There are currently four non-executive directors and two executive directors on the Board.

APPOINTMENTS TO THE BOARD

Recommendations for appointments to the Board are the responsibility of the Nominations Committee. The appointment of non-executive directors has to be ratified by the States of Deliberation.

The Nominations Committee meets 3-4 times a year to consider the balance of the Board, job descriptions and objective criteria for board appointments and succession planning.

INFORMATION AND PROFESSIONAL DEVELOPMENT

For each scheduled board meeting, the Chairman and the Company Secretary ensure that, during the week before the meeting, the directors receive a copy of the agenda for the meeting, financial, strategic and operating information and information on any other matter which is to be referred to the Board for consideration. The directors also have access to the Company Secretary for any further information they require. In the months where there is no scheduled board meeting, the directors receive the prior month and cumulative Company financial and operating information.

All newly appointed directors participate in an extensive internal induction programme that introduces the director to the Company and includes visits to key stakeholders. The Company Secretary gives guidance on board procedures and corporate governance.

The Company Secretary, who is appointed by the Board and is also the Finance Director and an Executive Director, is responsible for ensuring compliance with board procedures. This includes recording any concerns relating to the running of the Company, or proposed actions arising therefrom that are expressed by a director in a board meeting. The Company Secretary is also Secretary to the Remuneration and Nomination Committees. The Company Secretary is available to give ongoing advice to all directors on board procedures, corporate governance and regulatory compliance.

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Attendance during the year for all board and board committee meetings is given in the table below:

ATTENDANCE AT BOARD COMMITTEE MEETINGS (A)				
	Board	Audit Committee	Nominations Committee	Remuneration Committee
Dudley Jehan	3/4			
Boley Smillie	11/11			
Steve Sheridan	11/11			
Steve Hannon	10/11		3/3	3/3
Andrew Duquemin	10/11	1/2		
Simon Milsted	10/11	2/2		
Stuart Le Maitre	11/11		3/3	3/3

(A) The first figure represents attendance and the second figure the possible number of meetings e.g. 10/11 represents attendance at 10 out of a possible 11 meetings. Where a director stepped down from the Board, or a Board Committee, during the year, or was appointed during the year, only meetings before stepping down, or after the date of appointment, are shown.

PERFORMANCE EVALUATION

The Board undergoes an annual evaluation of its performance. The evaluation consists of a confidential questionnaire, which is independently assessed, and a report that is then submitted to the Board, followed by an open discussion facilitated by the Chairman.

ELECTION AND RE-ELECTION OF DIRECTORS

Guernsey Post Limited's articles state that a non-executive director should be proposed for re-election, if he or she has been appointed to the Board since the date of the last AGM, or proposed for re-election if he or she has held office more than three years at the date of the notice convening the next AGM. The Board ensures that each non-executive director submits himself or herself for re-election by Shareholder at least every three years.

Non-executive directors serve the Company under letters of appointment, which are generally for an initial three year term. Their appointment is also ratified by the States of Deliberation.

In accordance with the Articles of Association, Steve Hannon is due to retire by rotation and, being eligible, offers himself for re-election on a rolling one year basis at the forthcoming AGM.

REMUNERATION

The Board recognises the importance of executive directors' remuneration in recruiting, retaining and motivating the individuals concerned. Executive directors' remuneration consists of basic salary, benefits in kind, bonus and retirement benefits. Fees for the Chairman and non-executive directors are determined by the Treasury & Resources Department, and, at the request of those Board members, have remained unchanged since 2010.

The Remuneration Committee, which is chaired by Stuart Le Maitre, consists of two non-executive directors and determines remuneration levels and specific packages appropriate for each executive director - taking into account the Group's annual salary negotiations. No director is permitted to be present when his own remuneration is being discussed, or to vote on his own remuneration. The Remuneration Committee considers that the procedures in place provide a level of remuneration for the directors, which is both appropriate for the individuals concerned and in the best interests of the Shareholder.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The intention of the Annual Report is to provide a clear assessment of the performance and prospects of Guernsey Post Limited. The Company has a comprehensive system for reporting financial results to the Board. An annual budget is prepared and presented to the Board for approval. During the year, monthly management accounts, including balance sheet, cash flow and capital expenditure reporting, are prepared with a comparison against budget and prior year. Forecasts are revised half yearly in the light of this comparison and are also reviewed by the Board.

INTERNAL CONTROL AND RISK MANAGEMENT

All directors are responsible for establishing and maintaining an effective system of internal control. Whilst all elements of risk cannot be eliminated, the system aims to identify, assess, prioritise and, where possible, mitigate the Company's risks. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's systems are designed to provide the Board with reasonable assurance that assets are safeguarded, transactions are properly authorised and recorded and that material errors and irregularities are either prevented or detected within a timely period.

In 2012, the Audit Committee considered the need for an internal audit function and concluded that the financial position, size and complexity of the Company could not justify the expense, which the Board ratified. The Board is happy to continue relying on the strength of the internal control environment through updates on risk management and internal control, health and safety reports, AML and CFT compliance, monthly management information and representations from the Executive Team.

AUDIT COMMITTEE AND AUDITOR

The Board has delegated responsibility to the Audit Committee for reviewing an effective system of internal control and compliance, accurate external financial reporting, fulfilling its obligations under the law and the Code, and managing the Company's relationship with the Company's external auditor. The Committee members comprise independent non-executive directors. Simon Milsted, who is a qualified accountant, was appointed as the chairman of the Audit Committee and the Board is satisfied that Simon has recent and relevant financial experience to enable the duties of the Committee to be fully discharged. Andrew Duquemin is the other member of the Audit Committee. Andrew is also a qualified accountant with a wide range of business experience When a new Non-Executive Director is appointed, Andrew will step down from this role, so as to avoid any conflict of interest with his role as Chairman.

The Audit Committee most recently went out to tender for the Company's external auditors during 2012/13 and, following a rigorous process, the Audit Committee recommended the re-appointment of KPMG on a rolling one-year basis, which was ratified by the Board and the Shareholder and which will continue for 2016/17.

The Committee meets once a year with representatives of the Company's external auditor, and the Chief Executive and the Finance Director also attend the meetings.

SHAREHOLDER RELATIONS

The Board believes that good communication with the Shareholder is a priority. There have been regular meetings between the Chief Executive and the Finance Director of Guernsey Post, and senior staff of the Treasury & Resources Department. The Company presents its strategic plan to our Shareholder for approval every year.

Following changes to the Constitution of the States of Deliberation, with effect from 1 May 2016, the role of shareholder representative will pass from the previous Treasury and Resources Department to the newly constituted States' Trading Supervisory Board.

The Chairman and senior independent director are available to meet with our Shareholder should there be unresolved matters that our Shareholder believes should be brought to its attention. The Executive Team and the non-executive directors meet with our Shareholder at the AGM.

The date of the AGM is agreed with our Shareholder and ten days working notice is given. The AGM is chaired by Guernsey Post, with presentations made by the Executive Team to facilitate awareness of the Company's activities and its financial performance. Our Shareholder is given the opportunity to ask questions of the Board and the Chairman of each board committee during the AGM.

COMMITTEES OF THE BOARD AND MAIN TERMS OF REFERENCE

In addition to regular scheduled board meetings, the Company operates through various board committees, of which the membership and main terms of reference are set out below (except the Audit Committee which is outlined above).

Stuart Le Maitre is the Chairman of the Nominations Committee, supported by Steve Hannon. The main terms of reference of this Committee are to regularly review the structure, size and composition of the Board and to make recommendations on the role and nomination of directors for appointment to the Board, Board Committees and as holders of any executive office, as well as ensuring that appropriate succession plans are in place for the Board and the Executive Team. The Committee met three times in 2015/16 and all members of the Committee were present.

Stuart Le Maitre is also the Chairman of the Remuneration Committee, supported by Steve Hannon. The main terms of reference of this Committee are to determine and agree with the Board the remuneration policy for the Company's Executive Team, to approve the design of, and determine targets for, any performance related pay schemes operated by the Company and to determine the policy for, and scope of, pension arrangements for each executive director. The Committee met three times in 2015/16 and all members of the Committee were present.

Simon Milsted is the Chairman of the Pensions Committee, supported by Andrew Duquemin, the Chief Executive and the Finance Director. The main terms of reference of this Committee are to review and make recommendations to the Board on the Company's retirement and post-retirement benefit arrangements, including the control and funding of such arrangements. Given the importance and scale of the pension issues dealt with by the Company during the last year, the full Board regularly considered the pension scheme arrangements at its meetings, and the Pension Committee advised the Board on the development of strategic options to reorganise the pension scheme given the likely increase in its cost, and the uncertainty it creates for the Company. This culminated in the agreement to reform of the Company's pension scheme commitments during April 2016, as more fully reported elsewhere in these financial statements.

DIRECTORS' REPORT

The directors present their annual report together with the financial statements for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The Company's principal activity is the provision of a postal service for the Bailiwick of Guernsey through a postal network and retail counter operation in accordance with the licence awarded to it by the Channel Islands Competition and Regulatory Authority (CICRA) (formerly the Office of Utility Regulation). The Company also markets its postage stamps and other philatelic products to stamp collectors worldwide.

SIGNIFICANT EVENTS

During the 2015/16 financial year, the Company received notice that two of its key customers ceased trading in Guernsey. The loss of these customers has had a material impact on Guernsey Post Limited's revenue performance for the year ended 31st March 2016. The Board of Guernsey Post is taking steps to ensure the Company can continue to make operating profits beyond the next financial year, through a combination of further operational efficiency measures, pension reform, tariff changes and new business opportunities.

RESULTS

The results for the year are shown in the profit and loss account on page 15. (*20)

DIVIDEND

The directors recommend a dividend of £200k for the financial year (2015: £Nil).

FIXED ASSETS

Fixed asset movements for the year are disclosed in note 7 to the financial statements.

DIRECTORS

The directors of the Company, who served throughout the year and at the date of this report, were as follows:

A Duquemin
D R Jehan (retired 1 September 2015)
B Smillie
S Sheridan
S Hannon
S Le Maitre
S Milsted

No director has an interest, either beneficially or non beneficially, in any shares of the Company (2015: no interest beneficially, or non beneficially).

In accordance with the Articles of Association Steve Hannon is due to retire by rotation and, being eligible, offers himself for re-election on a rolling one year basis at the forthcoming AGM.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards, including FRS102, The Financial Reporting Standard applicable in the UK and Republic of Ireland and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008 and the Post Office (Guernsey) Law 1969. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

KPMG Channel Islands Limited has expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

B Smillie
Chief Executive

A M Duquemin
Chairman

*These page numbers refer to the annual financial statements document approved by the auditors

KPMG

Glategny Court, Glategny Esplanade
St Peter Port, Guernsey, GY1 1WR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUERNSEY POST LIMITED

We have audited the financial statements of Guernsey Post Limited (the "Company") for the year ended 31 March 2016, which comprise the Balance Sheet, the Profit and Loss Account and Other Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008 and section 10(1) of the Post Office (Guernsey) Law, 1969. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on page 13 (*17), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its profit for the year then ended;
- are in accordance with United Kingdom Accounting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

KPMG Channel Islands Limited
Chartered Accountants Guernsey

*These page numbers refer to the annual financial statements document approved by the auditors

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	**31 March 2016 £'000**	31 March 2015 £'000
Turnover		**30,906**	33,580
Expenses		**(30,417)**	(33,260)
Operating Profit	2	**489**	320
Other income			
Interest receivable	3	**176**	349
Rent receivable		**118**	117
Revaluation of Investment Properties	8	**(40)**	-
Profit on ordinary activities before net gain / (loss) on pension scheme		**743**	786
Net expense on pension scheme		**(806)**	(619)
(Loss) / Profit on ordinary activities before taxation		**(63)**	167
Tax on (loss) / profit on ordinary activities	4	**451**	339
Profit for the financial year		**388**	506
Other comprehensive income			
Remeasurement of defined benefit liability	14	**(482)**	(8,582)
Increase in deferred tax asset on actuarial losses	11	**97**	1,716
Other comprehensive income for the year		**(385)**	(6,866)
Total comprehensive income for the year		**3**	(6,360)

All activities derive from continuing operations

The notes on pages 19 to 31 (*24 - 42) form an integral part of these financial statements

**These page numbers refer to the original Financial Statements document approved by the auditors.*

BALANCE SHEET

At 31 March 2016

	Notes	**31 March 2016 £'000**	31 March 2015 £'000
Fixed assets			
Intangible fixed assets	6	**107**	161
Tangible fixed assets	7	**11,291**	11,558
Investment properties	8	**1,000**	1,040
Investment in subsidiaries	9	**-**	-
		12,398	12,759
Current assets			
Stock		**256**	215
Debtors	10	**2,811**	3,077
Debtors greater than one year:- Deferred tax	11	**5,855**	5,176
Cash at bank and in hand		**15,612**	11,485
		24,534	19,953
Creditors: Amounts falling due within one year	12	**(4,298)**	(3,387)
Net current assets		**20,236**	16,566
Total assets less current liabilities		**32,634**	29,325
Pension liability	14	**(28,450)**	(25,144)
Net assets including pension liability		**4,184**	4,181
Capital and reserves			
Shareholder's capital	13	**13,886**	13,886
Profit and loss account		**(9,702)**	(9,705)
Shareholder's funds		**4,184**	4,181

The financial statements were approved by the Board of Directors and authorised for issue on 12 August 2016.
They were signed on its behalf by:

B Smillie
Chief Executive

A M Duquemin
Chairman

The notes on pages 19 to 31 (*24 - 42) form an integral part of these financial statements.

**These page numbers refer to the original Financial Statements document approved by the auditors.*

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Shareholders Capital	Profit and loss account	Total Equity
	£,000	£'000	**£'000**
Balance at 1 April 2014	13,886	(2,595)	**11,291**
Total comprehensive income for the year			
Profit or Loss for the year	-	506	**506**
Remeasurement of defined benefit liability	-	(8,582)	**(8,582)**
Increase in deferred tax asset on actuarial losses	-	1,716	**1,716**
Total comprehensive income for the year	**-**	(6,360)	**(6,360)**
Transactions with owners, recorded directly in equity			
Dividends	-	(750)	**(750)**
Total contributions by and distributions to owners	**-**	(750)	**(750)**
Balance at 31 March 2015	13,886	(9,705)	**4,181**
Balance at 1 April 2015	13,886	(9,705)	**4,181**
Total comprehensive income for the year			
Profit or Loss for the year	-	388	**388**
Actuarial loss recognised in the pension scheme	-	(482)	**(482)**
Increase in deferred tax asset on actuarial losses	-	97	**97**
Total comprehensive income for the year	-	3	**3**
Transactions with owners, recorded directly in equity			
Dividends	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 March 2016	13,886	(9,702)	**4,184**

The notes on pages 19 to 31 (*24 - 42) form an integral part of these financial statements.

**These page numbers refer to the original Financial Statements document approved by the auditors.*

CASH FLOW STATEMENT

For the year ended 31 March 2016

	Notes		**31 March 2016 £'000**		31 March 2015 £'000
Operating activities					
Profit or loss for the year			**388**		506
Adjustments for:					
Depreciation and amortisation			**990**		920
Profit on disposal of fixed assets			**(3)**		(4)
Interest receivable and similar income			**(294)**		(466)
Revaluation of investment property			**40**		-
Net Pension scheme service costs			**2,825**		1,772
Taxation			**(451)**		(339)
Increase in stock			**(41)**		(45)
Decrease in debtors			**232**		252
Increase / (decrease) in creditors			**856**		(1,639)
Net cash generated from operations			**4,542**		957
Interest received		**210**		284	
Rent received		**118**		117	
Tax Paid		**(77)**		(90)	
Net cash inflow from operating activities			**251**		311
Investing activities					
Purchase of tangible fixed assets		**(669)**		(1,031)	
Proceeds from sale of tangible fixed assets		**3**		4	
Net cash outflow from investing activities			**(666)**		(1,027)
Cash flows from financing activities					
Dividend paid	5	**-**		(750)	
Net cash from financing activities			**-**		(750)
Net increase/(decrease) in cash and cash equivalents			**4,127**		(509)
Increase / (decrease) in cash balances			**4,127**		(509)
Cash and cash equivalents at 1 April 2015			**11,485**		11,994
Cash at bank and in hand as at 31 March 2016			**15,612**		11,485

The notes on pages19 to 31 (*24 - 42) form an integral part of these financial statements.

**These page numbers refer to the original Financial Statements document approved by the auditors.*

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2016

1. Significant accounting policies

Reporting entity

Guernsey Post Limited (the "Company") was established on 1 October 2001 and is registered in Guernsey. The Company's registered address is Envoy House, La Vrangue, St Peter Port, Guernsey GY1 1AA. The Company is governed by the provision of the Companies (Guernsey) Law, 2008. The principal activity of the Company is the provision of Postal Services throughout the Bailiwick.

Basis of accounting

The financial statements give a true and fair view, comply with the Companies (Guernsey) Law, 2008 and were prepared in compliance with the UK Accounting Standards, including the Financial Reporting Standard 102 with the early adoption of the July 2015 amendments. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS102 from UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS102 has affected the financial position and financial performance of the Company is provided in note 18.

Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:-

- Note 8 - Investment Property
- Note 15 - Lease Classification

b. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to amounts reported in the financial statements for the financial year ending 31 March 2016 is included in the following notes:-

- Note 8 - Investment Property - determination of fair value of investment property
- Note 11 - Deferred Tax - recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used
- Note 14 - Pension Fund - measurement of defined benefit obligations: key actuarial assumptions

Basis of measurement

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold investment properties.

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

Turnover

Sales of stamps and the crediting of franking machines are accounted for on a receipt of funds basis and no provision is made for postal services expected to be provided for stamps in circulation, as the Directors deem this to be immaterial. All other income from goods and services supplied are accounted for on an accruals basis.

Other income

Rental income is recognised on a straight line basis over the term of the lease. Interest receivable is recognised in the Profit and Loss Account using the effective interest method.

Expenses

Postal operations expenses are charged as incurred. No provision is made for any charges which may be incurred in handling, or delivering, mail in respect of stamps and franking machine credits sold but unused at the balance sheet date.

Taxation

The Company, as a Guernsey Utility Company regulated by the Channel Islands Competiton and Regulatory Authorities (CICRA), is subject to the higher rate of income tax of 20% on its regulated income and 0% on its non regulated income. The basis of assessment to Guernsey tax continues to be on actual current year basis. Income from Guernsey land is also subject to the higher rate of income tax of 20%.

Deferred Taxation

Provision for deferred taxation is made in full on timing differences which result in an obligation at the balance sheet date to pay tax at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Deferred tax assets are only recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Dividends

Dividends paid are recognised when the obligation to pay has been established.

De-recognition of assets

Non-financial assets are removed from the Balance Sheet, either on disposal, or when they are withdrawn from use and no future economic benefits are expected from their use. In this event, any carrying amount is written off to the Profit and Loss Account.

Impairment of non-financial assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. In the event that there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Profit and Loss Account.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Profit and Loss Account.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2016

1. Significant accounting policies - continued

Stock

The cost of definitive stamps, including the non-value indicator self-stick range, is written off over the expected sales life of each type of stamp, which is unlikely to exceed three years. Commemorative stamp costs are fully written off in the year of issue.

Other stocks are valued at the lower of cost and net realisable value.

Intangible assets - goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is ten years. An impairment review is carried out every year and any necessary provision is recognised in the Profit and Loss Account.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful economic life. A full year's depreciation is charged in the year of acquisition.

There are periodic reviews of fixed assets and any adjustments required will be recognised in the Profit and Loss Account, as and when identified.

	Estimated useful life in years	Depreciation %per annum
Freehold land	N/A	Nil
Buildings	8 - 50	2 - 12.5
Plant and equipment	15	6.67
Furniture & Fittings	3 -13	7.7 - 33.3
Postal Machinery	8 -15	6.67 - 12.5
Transport	5 - 10	10 - 20

Basic Financial Instruments

Cash at bank and in hand comprises of cash balances, call deposits and deposits held with the States of Guernsey Treasury and Resources Department.

Debtors are initially recognised at transaction price less attributable transaction costs. Doubtful debts are recognised when collection of the full amount is no longer probable, with the amount of the loss recognised in the Profit and Loss Account.

Creditors are initially recognised at transaction price.

Investment in subsidiaries

The investment in subsidiaries is stated at cost. The subsidiaries have not been consolidated on the basis that they are dormant, and non-consolidation does not have a material impact on these financial statements.

Foreign currency

Foreign currency held in the Dutch bank account is translated at the exchange rate prevailing at the balance sheet date. Gains or losses are taken to the Profit and Loss Account at the time of translation. All foreign trading transactions are translated into sterling using the prevailing rate on the date of the transaction.

Pension costs

The amount charged to the Profit and Loss Account is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. Such variations are charged, or credited, to the Profit and Loss Account as a constant percentage of payroll over the estimated remaining working life of the scheme members. The scheme is funded with assets of the scheme held separately from those of the Company.

The employees' pension scheme is a defined benefit scheme. Current service costs and any post service costs are charged to the Profit and Loss Account, together with the finance costs and income for the scheme. Actuarial gains and losses are recognised in full in Other Comprehensive Income for the period in which they occur. Pension scheme assets are measured using market values for quoted securities and the current bid price is taken as market value. Pension scheme liabilities are measured using the projected unit credit method, with an actuarial valuation being carried out each year at the balance sheet date. The retirement benefit deficit in the scheme is recognised as a pension liability in the Balance Sheet.

On 1 August 2016, the Company subsequently established a new defined contribution pension scheme, for which all eligible staff will have the option of joining from that date. All staff exited from the defined benefit pension scheme at this date. As at this date, future service accrual in the defined benefit pension scheme ceased for all remaining active members.

Investment properties

Investment properties are initially measured at cost and subsequently at fair value with any change therein recognised in the Profit and Loss Account.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2016

2. Operating profit

Operating profit is stated after charging/(crediting):	**31 March 2016 £'000**	31 March 2015 £'000
Staff costs	**10,560**	10,580
Depreciation of tangible fixed assets	**936**	867
Operating lease expense	**96**	95
Auditors' remuneration		
Audit fees	**32**	33
Other services	**5**	6
Amortisation of goodwill	**54**	54
Directors' remuneration	**378**	386
Profit on disposal of fixed assets	**(3)**	(4)
Total	**12,058**	12,017

Average full time equivalent employee numbers for the period were as follows:

	31 March 2016	31 March 2015
Operational staff, including postmen and women, post office counter staff and philatelic production staff	**178**	177
All other staff	**48**	48
Total	**226**	225

3. Interest receivable

	31 March 2016 £'000	31 March 2015 £'000
States Treasury	**173**	347
Other	**3**	2
Total	**176**	349

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2016

4. Taxation

	Note	**31 March 2016 £'000**	31 March 2015 £'000
Current year tax		**115**	10
Prior year tax		**16**	12
Deferred tax credit for the year	11	**(582)**	(361)
Total		**(451)**	(339)

Guernsey Post Limited, as a Guernsey Utility Company regulated by the Channel Islands Competition and Regulatory Authority (CICRA), is subject to the higher rate of income tax of 20% on its regulated income and 0% on its non regulated income. The basis of assessment to Guernsey tax continues to be on actual current year basis.

Income from Guernsey land is also subject to the higher rate of income tax of 20%

The actual tax credit differs from the expected tax charge computed by applying the higher rate of Guernsey income tax of 20% as follows:

	31 March 2016 £'000	31 March 2015 £'000
(Loss) / Profit on ordinary activities before taxation	**(63)**	167
Tax at 20%	**(13)**	33
Effects of adjusting items:		
Timing differences	**29**	18
Sundry adjustment to prior years' tax	**16**	12
Disallowed expenses	**19**	13
Rate differences on current tax	**(485)**	(408)
Adjustment for pension costs	**565**	354
Current tax charge	**131**	22
Deferred tax - pension deficit	**(565)**	(354)
Deferred tax - timing differences	**(17)**	(7)
Profit and loss taxation credit	**(451)**	(339)

5. Dividends on equity shares

Amounts recognised as distribution to equity holders in the period.

	31 March 2016 £'000	31 March 2015 £'000
Final dividend for the year ended 31 March 2016 of Nil (31 March 2015 (0.05p)	**-**	750

The board is proposing a final dividend of £200k for the year ended 31 March 2016. (2015: £Nil).

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2016

6. Intangible fixed assets

	Goodwill
	£'000
Opening cost at 1 April 2015	543
Opening accumulated amortisation at 1 April 2015	(382)
Opening carrying amount at 1 April 2015	161
Amortisation charge for the year	(54)
Closing carrying amount at 31 March 2016	107
Represented by:	
Closing cost	543
Closing accumulated amortisation	(436)
Total	**107**

The goodwill arose on the acquisition of the trade and net assets of BATIF Bureau de Change Limited in 2008.

7. Tangible fixed assets

	Motor Vehicles	Land & Buildings	Plant & Equipment	Postal Machinery	Furniture & Fittings	**Total**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Opening cost as at 1 April 2015	1,107	11,564	2,662	2,229	1,512	**19,074**
Opening accumulated depreciation as at 1 April 2015	(968)	(2,464)	(2,279)	(700)	(1,105)	**(7,516)**
Opening Carrying amount as at 1 April 2015	139	9,100	383	1,529	407	**11,558**
Additions	373	13	-	40	243	**669**
Depreciation	(123)	(228)	(255)	(202)	(128)	**(936)**
Disposals	-	-	-	-	-	-
Closing carrying amount as at 31 March 2016	389	8,885	128	1,367	522	**11,291**
Represented by:						
Closing cost as at 31 March 2016	1,366	11,577	2,662	2,269	1,669	**19,543**
Closing accumulated depreciation as at 31 March 2016	(977)	(2,692)	(2,534)	(902)	(1,147)	**(8,252)**
Total	389	8,885	128	1,367	522	**11,291**

Freehold land with a value of £2,505,000 (2015: £2,505,000) is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2016

8. Investment properties

	Market Value 31 March 2016	Market Value 31 March 2015
Reconciliation of carrying amount	**£'000**	£'000
Balance at 1 April 2015	**1,040**	1,040
Change in fair value	**(40)**	-
Balance at 31 March 2016	**1,000**	1,040

Investment property comprises a single property, which is leased to tenants, comprising part residential and part commercial occupancy. Leases for the residential tenants are reviewed annually, whereas the commercial tenant is subject to a 20 year lease with triennial reviews.

Changes in fair value are recognised as gains in profit or loss and included in 'Other Income'. All gains or losses are unrealised.

The fair value of the investment property was determined by an external independent property valuer with recognised professional qualifications and recent experience in the location and category of the property being valued.

9. Investment in subsidiaries

	31 March 2016	31 March 2015
	£'000	£'000
BATIF Bureau de Change Limited	-	-
	-	-

On 1 April 2008, the Company acquired 100% of the issued share capital of BATIF Bureau de Change Limited, which consists of 100 fully paid up £1 shares. Upon acquisition, the trade and net assets of BATIF Bureau de Change Limited were transferred to Guernsey Post Limited and BATIF Bureau de Change Limited changed to a dormant company. Guernsey Post Limited pays the administration costs for this company.

10. Debtors

	31 March 2016	31 March 2015
	£'000	£'000
Trade debtors	**2,434**	2,853
Less: Provision for bad debt	**(38)**	(38)
Other debtors	**13**	16
Prepayment and accrued income	**371**	181
Interest receivable	**31**	65
Taxation recoverable	**-**	-
Total	**2,811**	3,077

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2016

11. Deferred Tax

	Deferred taxation - Accelerated Capital Allowances	Deferred taxation - Pension deficit/surplus	Total
	£'000	£'000	£'000
At 1 April 2015	148	5,028	**5,176**
Charged to other comprehensive income	-	97	**97**
Debit to profit and loss account	17	565	**582**
At 31 March 2016	165	5,690	**5,855**

Deferred tax in the financial statements is measured at the actual tax rates that are expected to apply to the income in the periods in which the timing differences are expected to reverse. As a Guernsey Utility Company regulated by CICRA, Guernsey Post Limited is subject to tax at 20% on its regulated income and 0% on its non-regulated income. Income from Guernsey land is also subject to the higher rate of income tax of 20%

12. Creditors

	31 March 2016	31 March 2015
	£'000	£'000
Amounts falling due within one year		
Trade creditors	**1,217**	1,686
Other creditors	**2,192**	1,175
Accruals and deferred income	**781**	472
Rental income paid in advance	**32**	32
Taxation payable	**76**	22
Total	**4,298**	3,387

13. Shareholder's capital

	31 March 2016	31 March 2015
	£'000	£'000
Authorised		
40,000,000 ordinary shares of £1 each	**40,000**	40,000
	No of shares	£'000
Allotted and fully-paid	13,886,000	13,886
Opening share capital at 1 April 2015	13,886,000	13,886
Issued during the year	-	-
As at 31 March 2016	13,886,000	13,886

100% of the shares of the Company are owned beneficially by the States of Guernsey.

Shareholder's capital - represents the nominal value of shares that have been issued.

Profit and loss account - includes all current and prior period retained profits and losses.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2016

14. Pension Fund

Employees of the Company, where they are eligible and have chosen to join, are members of the States of Guernsey Superannuation Scheme. This is a defined benefit pension scheme funded by contributions from both employer and employees at rates which are determined periodically on the basis of actuarial advice, and which are calculated to spread the expected costs of benefits payable to employees over the period of these employees expected service lives. The assets of the scheme are held by the States of Guernsey and the ultimate liability to pay out any pension when it is realised lies also with the States of Guernsey should the Company be unable to meet its funding commitments.

The scheme has established differing terms for those who joined before 1st January 2008 and those who joined after. For pre-2008 members of the scheme, the employee is entitled to a retirement benefit of 1/80th of final salary for each year of membership of the scheme up to a maximum of 45 years on reaching 65 years of age. Additionally, a lump-sum payment is paid, based on 3/80th of final salary for each year of employment. For members who joined after 1 January 2008, the benefit entitlement accrues at 1/60th of final salary but no lump sum automatically accrues. A lump sum is achievable by commuting part of the pension entitlement. The take up of this commutation into lump sum cannot be known but an assumption based on a prudent forecast has been adopted. This assumes that a 75% commutation will be requested by members. The scheme is a funded scheme.

The Final Salary section of the Fund was closed to new members with effect from 1 May 2015, and employees hired after that date joined a new Career Average Revalued (CARE) section. Company employees who joined after 1 May 2015 have not been admitted to membership of the Fund. From 1 March 2016, accrual ceased in the Final Salary section for all members, other than for some protected members, and members transferred to the CARE section for future service accrual of benefits from this date. Within the CARE section, members' pay is pensionable up to an earnings cap. Contributions on earnings above this cap from both the Company (at 12%) and employees are paid to a defined contribution section of the Superannuation Fund.

The most recent actuarial update of scheme assets and the present value of the defined benefit obligation was carried out at 31 March 2016 by Mrs D Simon, Fellow of the Institute of Actuaries.

With effect from 25 April 2016, the Company agreed to effect the full transfer of Guernsey Post employees out of the defined benefit States of Guernsey Public Servants Pension Scheme with regard to future service accrual. Please refer to Note 17 - Post Balance Sheet Event for more details.

The amounts recognised in the Balance Sheet are as follows:

	31 March 2016	31 March 2015
	£'000	£'000
Fair value of Actuarial Account Assets	**39,829**	39,826
Present value of funded obligations	**(68,279)**	(64,970)
Net under funding in Actuarial Account	**(28,450)**	(25,144)
Deferred tax on net pension liability	**5,690**	5,028
Net Defined Benefit Liability	**(22,760)**	(20,116)

The position as at 1 April 2014 is unchanged from the position reported under FRS 17.

The amounts recognised in the Profit or Loss are as follows:

	31 March 2016	31 March 2015
	£'000	£'000
Service cost	**2,971**	2,128
Net Interest on Net Defined Benefit Liability	**806**	619
Expense recognised in Profit and Loss	**3,777**	2,747

The Net Interest on Net Defined Benefit Liability item is broken down as follows:

	31 March 2016	31 March 2015
	£'000	£'000
Interest on obligation	**2,124**	2,211
Interest on assets	**(1,318)**	(1,592)
Net interest on Net Defined Benefit Liability	**806**	619

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2016

14. Pension Fund (continued)

The amounts recognised as Remeasurements in Other Comprehensive Income are as follows:

	31 March 2016 £'000	31 March 2015 £'000
Return on assets (not included in interest)	**(1,512)**	1,894
Actuarial Gains / (Losses) on obligation	**1,030**	(10,476)
Total remeasurements recognised in Other Comprehensive Income	**(482)**	(8,582)
Cumulative amount of Remeasurements recognised in Other Comprehensive Income	**(9,064)**	(8,582)
Actual return on Actuarial Accounts assets	**(194)**	3,486

Changes in the present value of the Actuarial Account's Defined Benefit Obligation are as follows:

	31 March 2016 £'000	31 March 2015 £'000
Opening Defined Benefit Obligation	**64,970**	50,802
Service cost	**2,971**	2,128
Contributions by members	**427**	432
Benefits paid	**(1,183)**	(1,080)
Interest on obligation	**2,124**	2,211
Experience losses / (gains)	**3,163**	(1,138)
(Gains) / losses from changes in assumptions	**(4,193)**	11,615
Closing Defined Benefit Obligation	**68,279**	64,970

The weighted average duration of the liabilities of the Actuarial Account was 24 years as at 31 March 2016

Changes in the fair value of Actuarial Account assets are as follows:

	31 March 2016 £'000	31 March 2015 £'000
Opening fair value of Actuarial Account assets	**39,826**	36,012
Interest on assets	**1,318**	1,592
Returns on assets (not included in interest)	**(1,512)**	1,894
Contributions by employer	**978**	996
Contributions by members	**427**	432
Benefits paid	**(1,183)**	(1,080)
Administration expenses	**(25)**	(20)
Closing fair value of Actuarial Account assets	**39,829**	39,826

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2016

14. Pension Fund (continued)

The major categories of Actuarial Account assets as a percentage of the total are as follows:

	31 March 2016	31 March 2015
	%	%
Equities	**76**	76
Gilts	**3**	1
Corporate Bonds	**10**	14
Property	**7**	7
Other Assets	**4**	2

All of the Actuarial Account's assets have a quoted market price in an active market. The Actuarial Account holds no financial instruments issued by the Company, nor does it hold any property or other assets used by the Company.

Principal actuarial assumptions used for the FRS 102 disclosures:

	31 March 2016	31 March 2015
	% pa	% pa
Discount rate at end of year	3.50	3.30
Discount rate at start of year	3.30	4.40
Inflation	3.40	3.40
Rate of increase in pensionable salaries	4.15	4.15
Rate of increase in deferred pensions	3.40	3.40
Rate of increase in pensions in payment	3.40	3.40

Mortality assumptions

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member aged 65 will live on average until age 87 if they are male and until age 90 if female. For a member currently aged 45 the assumptions are that if they attain age 65 they will live on average until age 89 if they are male and until age 92 if female.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2016

15. Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	31 March 2016 Land and buildings £'000	31 March 2015 Land and buildings £'000
Less than one year	**-**	11
Between one and five years	**70**	70
More than five years	**19**	8
	89	89

Leases of land and buildings are subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

The Company leases two properties in St Peter Port to run one of its retail outlets and also its foreign exchange business. In addition, the company leases property to fulfil its postal operation in Alderney

16. Related party transactions

The Company is wholly owned and ultimately controlled by the States of Guernsey.

Through the normal course of its business activity, the Company both purchases and provides services to its shareholder, or entities, under the controlling influence of the shareholder body. These entities include States Trading Companies, companies whose equity is wholly owned by the States, States Departments and Committees operated by the States. All such transactions have been on an armís length basis. The total value of the sales for the year ended 31 March 2016 amount to 2.1% of total turnover (2015: 2.0%). The total value of purchases for the year amounted to 2.7% of total expenses (2015: 2.6%).

The States also provides, through its Treasury & Resources Department, management of the Companyís liquid funds in excess of short term needs.
At 31 March 2016, the balance held was £13,734,828 (2015: £9,405,248).

Director's remuneration is shown in note 2.

17. Post Balance Sheet Event

Ongoing discussions between the Company, its staff members and union representatives and the States of Guernsey, have recently concluded with formal agreement being reached on 25th April 2016 to effect the full transfer of Guernsey Post employees out of the defined benefit States of Guernsey Public Servants Pension Scheme with regard to future service accrual.

The agreed transfer is effective from 1st August 2016, with no further accrual of defined benefit pensionable service eligible for any Guernsey Post employee from this date. The agreement also allows for the full transfer of the value of the Guernsey Post Actuarial Fund to the States of Guernsey and the subsequent removal of all historic defined benefit pension reporting obligations from the company's balance sheet from this date.

The Company has subsequently established a new Defined Contribution Pension Scheme for which all eligible staff will have the option of joining from 1st August 2016.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2016

18. Explanation of transition to FRS 102

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016, the comparative information presented in these financial statements for the year ended 31 March 2015 and in the preparation of an opening FRS 102 statement of financial position at 1 April 2014 (the Company's date of transition).

In preparing its opening FRS 102 statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with UK GAAP. An explanation of how the transition has affected the Company's financial performance and financial position is set out in the following tables.

Reconciliation of Profit and loss account and Other Comprehensive Income		2015 (previous UK GAAP)	Adjustments	**2015**
		£'000		**£'000**
Turnover		33,580	-	**33,580**
Expenses	*(i)*	(33,227)	(33)	**(33,260)**
Operating profit		353	(33)	**320**
Other Income				
Interest receivable		349	-	**349**
Rent receivable		117	-	**117**
Revaluation of Investment Properties		-	-	**-**
Profit on ordinary activities before net gain / (loss) on pension scheme		819	(33)	**786**
Net gain / (loss) on pension scheme	*(i)*	166	(785)	**(619)**
Profit on ordinary activities before taxation		985	(818)	**167**
Tax on profit / (loss) on ordinary activities	*(ii)*	170	169	**339**
Profit for the financial year		1,155	(649)	**506**
Other comprehensive income				
Actuarial loss recognised in the pension scheme	*(i)*	(9,400)	818	**(8,582)**
Increase in deferred tax asset on actuarial losses	*(ii)*	1,880	(164)	**1,716**
Other comprehensive income for the year		(7,520)	654	**(6,866)**
Total comprehensive income for the year		(6,365)	5	**(6,360)**

(i) In accordance with FRS 102, interest is applied to the Net Defined Benefit Obligation using the discount rate adopted for the disclosures. Previously, interest was applied at this rate to the liabilities, but a separate expected return on the assets was calculated based on the investment returns expected from the assets held by the Actuarial Account. Also under FRS 102, all actuarial gains and losses are now classified as 'remeasurements' and are disclosed as a separate section under 'Other Comprehensive Income'.

(ii) Being the effect of FRS102 pension reporting changes, specifically the reclassification of charges from Other Comprehensive Income to the Profit and Loss account and the associated impact of these changes on the respective current and deferred tax computation. The overall net impact being an effective increase in tax charges of £5k for the year.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2016

18. Explanation of transition to FRS102 (continued)

Reconciliation of Balance Sheet

	1 April 2014 (Previous GAAP)	Adjustment	1 April 2014	31 March 2015 (Previous GAAP)	Adjustment	**31 March 2015**
Fixed assets	£'000		£'000	£'000		**£'000**
Intangible fixed assets	215	-	215	161	-	**161**
Tangible fixed assets	11,394	-	11,394	11,558	-	**11,558**
Investment properties	1,040	-	1,040	1,040	-	**1,040**
Investment in subsidiaries	-	-	-	-	-	**-**
	12,649	-	12,649	12,759	-	**12,759**
Current assets						
Stock	169	-	169	215	-	**215**
Debtors	3,296	-	3,296	3,077	-	**3,077**
* Debtors <1yr:-Deferred tax	141	2,957	3,098	148	5,028	**5,176**
Cash at bank and in hand	11,994	-	11,994	11,485	-	**11,485**
Total	15,600	2,957	18,557	14,925	5,028	**19,953**
Creditors: Amounts falling due within one year	(5,126)	-	(5,126)	(3,392)	5	**(3,387)**
Net current assets	10,474	2,957	13,431	11,533	5,033	**16,566**
* **Total assets less current liabilities**	23,123	2,957	26,080	24,292	5,033	**29,325**
Net pension liability	(11,832)	(2,957)	(14,789)	(20,116)	(5,028)	**(25,144)**
Net assets including pension liability	11,291	-	11,291	4,176	5	**4,181**
Capital and reserves						
Shareholder's capital	13,886	-	13,886	13,886	-	**13,886**
Profit and loss account	(2,595)	-	(2,595)	(9,710)	5	**(9,705)**
Total	11,291	-	11,291	4,176	5	**4,181**

* In accordance with FRS 102, Deferred Tax Assets now need to be presented within debtors.

GUERNSEY
POST

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